

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 CCO-00 CIAE-00 OTPE-00 FCC-01

INR-05 NSAE-00 OC-01 RSC-01 COME-00 AID-05 FRB-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8454

C O N F I D E N T I A L BUENOS AIRES 7616

E.O. 11652: GDS

TAGS: ETEL, EINV, AR

SUBJ: STANDARD ELECTRIC PROPOSALS TO GOA

REF: A. BA 6905; B. BA 6985

SUMMARY: ITT/STANDARD ELECTRIC OFFICIALS MADE NUMBER OF RECNET ATTEMPTS TO DISCUSS STANDARDS FUTURE STATUS IN ARGENTINA WITH HIGH LEVEL OFFICIALS, BUT WERE UNSUCCESSFUL IN EVEN OBTAINING APPOINTMENTS. THEY THEN DELIVERED LETTER TO MRS. PERON PROPOSING THAT GOA EXPROPRIATE STANDARD WITH PAYMENT OF ADEQUATE COMPENSATION TO ITT. IN REPLY, SECRETARY OF COMMUNICATIONS ADVISED THEM BY LETTER THAT GOA ONLY INTERESTED IN OBTAINING SIMPLE MAJORITY INTEREST, NOT IN EXPROPRIATION. END SUMMARY.

1. MANAGING DIRECTOR OF STANDARD ELECTRIC RICARDO GABRIELLONI MADE NUMBER OF ATTEMPTS OVER LAST THREE WEEKS TO ARRANGE MEETINGS FOR HIMSELF AND/OR ITT VICE PRESIDENT AND HEAD OF LATIN AMERICAN OPERATIONS JOHN GUILFOYLE WITH KEY GOA OFFICIALS. SUMMARY OF THESE EFFORTS GIVEN BELOW BASED ON SERIES OF MEETINGS EMBOFFS HAVE HAD WITH GABRIELLONI AND TELEPHONE CONVERSATIONS WITH GUILFOYLE, WHO REMAINED OUTSIDE ARGENTINA AND ITT VICE PRESIDENT CHARLES SILVER.

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2. GABRIELLONI'S EARLIER MEETINGS WITH GOA OFFICIALS REPORTED

REFS A & B. IN LAST MEETING (SEP 12) SECRETARY OF COMMUNICATIONS OTERO ADVISED HIM THAT GOA WISHED TO ACQUIRE 51 PC OWNERSHIP OF STANDARDS MANUFACTURING FACILITIES. AS ITT WAS UNWILLING TO ACCEPT MINORITY PARTNERSHIP IN STANDARD WITH GOA, AND DID NOT CONSIDER OTERO TO BE AT SUFFICIENTLY HIGH LEVEL TO MAKE FINAL DECISION, SUBSEQUENT ATTEMPTS WERE MADE TO MEET WITH HIGHER LEVEL OFFICIALS TO DISCUSS POSSIBILITY OF COMPLETE TAKOVER OF STANDARD BY GOA.

3. DURING LAST WEEK OF SEPT, GABRIELLONI ATTEMPTED TO INITIATE DISCUSSIONS WITH SECRETARY OF PLANNING & ECONOMIC COORDINATION D'ADAMO, ECON MIN GELBARD AND PRESIDENTIAL ADVISOR LOPEZ REGA. INTENTION WAS TO ARRANGE HIGH LEVEL MEETING FOR ITT VICE PRESIDENTS GUILFOYLE AND SILVER, WHO WOULD THEN COME TO BUENOS AIRES FROM BRAZIL, PRESENT THEIR PROBLEM, AND UNLESS SPECIFIC SOLUTION WAS OFFERED, WOULD ASK FOR 100 PC EXPROPRIATION OF STANDARD BY GOA, WITH APPROPRIATE COMPENSATION. GABRIELLONI'S ATTEMPTS WERE REJECTED ON ALL FRONTS: D'ADAMO AND GELBARD BOTH MADE IT CLEAR THAT ONLY ALTERNATIVE OPEN TO ITT WAS TO SELL 51 PC INTEREST IN STANDARD, AND THAT ALL ARRANGEMENTS WERE TO BE HANDLED BY OTERO. LOPEZ REGA ALSO RESUED TO MEET WITH ANY COMPANY REPRESENTATIVES.

4. GUILFOYLE THEREFORE WROTE ON OCT 1 TO MRS. PERON AND LOPEZ REGA SETTING FORTH FOLLOWING PROPOSAL:
A. ALL STANDARD ELECTRIC ARGENTINA STOCK WOULD BE TRANSFERRED TO GOA ON PAYMENT OF COMPENSATION EQUIVALENT TO BOOK VALUE AS OF SEP 30, 1974 WITH GOA ASSUMING STANDARDS DEBTS AS OF SAME DATE; B. INTERNATIONAL STANDARD ELECTRIC WILLING TO PROVIDE TECHNOLOGY UNDER AGREEMENT TO BE NEGOTIATED; C. BUENOS AIRES SHERATON HOTEL TO BE RETAINED BY ITT AFFILIATE; D. GOA TO EXPRESSLY RECOGNIZE THAT NO ITT AFFILIATE OR OFFICIAL WAS AT FAULT WITH RESPECT TO OPERATIONS OF STANDARD, AND STANDARD ARGENTINA AND INTERNATIONAL STANDARD WOULD RENOUNCE ANY CLAIM AGAINST GOA OR ITS AUTONOMOUS ENTITIES (I.E. ENTEL); E. OFFER TO BE MAINTAINED UNTIL OCT 10.

IN REPLY, STANDARD RECEIVED LETTER OF OCT 9 FROM SECRETARY OTERO WHICH REFERRED TO LETTER TO MRS. PERON AND REITERATED GOA DESIRE TO ACQUIRE ONLY 51 PC SHARE OF STANDARD.
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5. GABRIELLONI, AT LEAST, NOW APPEARS TO SEE LITTLE ALTERNATIVE BUT TO SELL 51 PC TO GOA, BUT WILL BE MEETING WITH ITT OFFICIALS OVER WEEKEND TO DECIDE FURTHER ACTIONS.

6. IN RELATED DEVELOPMENT, FEDERAL JUDGE HAS CITED SIX FORMER OFFICIALS OF ENTEL, INCLUDING FORMER ADMINISTRATOR OSCAR DIETRICH, APPARENTLY TO MAKE STATEMENTS IN CONNECTION WITH THEIR

PARTICIPATION IN NEGOTIATING AND ADMINISTRATION OF THE CONTRACTS WITH STANDARD AND SIEMENS. IT IS NOT KNOWN WHICH, IF ANY OF THE SIX ARE PRESENTLY IN ARGENTINA. STATEMENTS BY GOA OFFICIALS AND GOVERNMENT SYMPATHIZING PRESS STORIES GIVE STRONG IMPRESSION THAT DIETRICH AND OTHERS ACTED IMPROPERLY IN SIGNING ITT AND SIEMENS CONTRACTS AND SHOULD BE SUBJECTED TO CIVIL OR CRIMINAL PENALTIES. DIETRICH HAS BEEN FAVORIT TARGET FOR ATTACKS BY ZEALOUS NATIONALISTS OF PAST THREE YEARS.
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